

SEP 4 1991

Regional Technical Coordinator
Southeast Region

Deputy Assistant Chief Counsel CC:IT&A

Technical Coordination Report

This memorandum is a follow-up of our interim memorandum to you dated March 19, 1991, and refers to a Technical Coordination Report dated July 2, 1990, submitted by Ted Williams of the Atlanta District. Mr. Williams' report concerns Rev. Proc. 84-74, 1984-2 C.B. 736, which provides procedures for taxpayers requesting to change a method of accounting. Specifically, Mr. Williams has requested that we exercise the discretion contained in section 4.05 of Rev. Proc. 84-74 to decline to rule on [REDACTED]'s requests to change accounting methods because the issuance of a ruling letter by this office would frustrate the examination process.

Presently, Rev. Proc. 84-74 permits taxpayers under examination to request a change from a Category B method of accounting on a prospective basis so long as the particular accounting method is not an issue that has been "raised" during the examination. However, the revenue procedure does not define when during the examination an issue is deemed to be "raised". Mr. Williams indicates that when an agent begins developing an issue, it has not yet been "raised" and the taxpayer can file a request to change its accounting method prospectively which frustrates the efforts of the examining agent.

The general discretion to decline to rule on an accounting method request is seldom exercised and has been done only in rare and unusual circumstances. Because Rev. Proc. 84-74 explicitly permits taxpayers under examination to request a change from a Category B method of accounting even if the particular accounting method is an issue that has been "raised" during the examination, we do not consider the fact that a taxpayer is under examination to be an unusual circumstance.

The fundamental procedural issue in the [REDACTED] cases very clearly illustrates the main difficulty with Rev. Proc. 84-74. We are in the process of revising Rev. Proc. 84-74 to change

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our procedures with respect to this situation. That process has already resulted in significant discussions with the Chief Counsel, the Commissioner, Treasury, and the Utilities ISP on this very issue of taxpayers under examination. It is likely, however, that these new procedures will be implemented on a prospective basis so that they are not detrimental to taxpayers who have relied on earlier procedures.

We appreciate your interest and concern in this matter, and assure you that resolution of these issues will continue to be of utmost importance to us.

Signed by JBW
James Webb

Enclosure:

TCR from Ted Williams

Copies of this letter (5) (without enclosures)